

Stages and Effects of Globalization

Danuț Boiciuc Modest, PhD in progress
Ovidius University of Constanța, Romania
modestboiciuc@yahoo.com

Abstract: The globalization process started in the late twentieth century, of international trade development fund, has experienced major pulses over the last century, but non the size of the third wave of globalization triggered by the world's transition to democracy and market economy. The transition speed of the global economy at the turn of two millennia was unimaginable a half century ago. The political, economical, technological, psychological, cultural mega-trends managed to radically change the world in recent decades. Globalization has become the burning issue of our time, being not only a process but a real phenomenon of continuous transition to a new development model. Many fear that the new economic conditions induced by globalization will lead to increased poverty, job losses; others fear the spread of epidemics or incurable diseases. There are many people who fear that human activity will irreparably damage the environment on which depends our own existence. The future threats have one thing in common: they do not respect national borders. Even the biggest countries in the world cannot protect its citizens against these threats. More than ever in human history, we must share the common destiny of globalization.

Keywords: globalization; globalization effects; the economic crises

1. Definition, Conceptual delimitations

In the last 20 years of history recorded two complex processes, with profound economical, political, military, doctrine and cultural impact in the world: globalization and post-communist transition.

The size planetary globalization was gradually acquired, in close cooperation with: the dynamics of modern economies, opening them to foreign collaboration and increasing interdependence among countries and regions. The progress of this process cannot be defined by political and economic history (Tobosaru, 2008, p. 15).

One of the most common definitions of the concept of globalization was seen in the work Globalization of R. Robertson who points out: "Globalization is the complex process of multiplication the linkages and interconnections between the states that compose the global system" (Robertson, 1992).

The economical globalization is nowhere near a completely new phenomenon. Its first symptoms appeared long ago, even though it is demanding and risky to be attributed, in its early stages, the same connotations valid today. The phenomenon has grown, but gradually, knowing the different stages of evolution until the moment it could not be explained through older models, even the classical and neoclassical economy.

The globalization can be considered as a new concept, born amid the history of economic events, characteristic of the late twentieth century and reaching the advertised year 2000.

Interesting is the fact that, just as the postmodernism and post-industrialization were the concepts that were in vogue in the '70s, globalization seems to have become the key concept of the '90s, which allows a better understanding of some details of the humankind transition to the third millennium. Globalization is not synonymous with "globalutia" that Thomas Friedman deems it as a process of expansion from the center to the periphery of the unique global model values, in the sense of the revolution from the outside, the import of standards that forces modernizations as a cultural uniformity.

It also can't be put the sign between globalization and "**glocalization**" which in Ulrich Beck's concept involves a synthesis of globality and premises, as there can't be made similarity between globalization and global state advocated by Marshall McLuhan.

Often it encounters a use of the concept of globalization, globalism and globality, without recording a distinction of meaning between them. A clear distinction between these three concepts can be found at Ulrich Beck who not only restores the sense notions as such, but also highlights the wrong lanes of some analysis that give to the globalization the highly control meaning of a part of the globe over the entire world. In Beck's view the globalization is not globalism or globality.

The globalism means the power distribution in the sense that a part dominates the other parts of the world as a whole. So, the globalism is seen as a force formula endorsed by the adversity principle and finally deflected by the mondialism and hegemony ambitions. **Globality** plays the best the world's ordering and re-ordering by the adversity principle, as meaning that the world structured on the principle of competition, has a multitude of helplessness and promotes the exploitations under the most horrific ideological forms. Globality has as its working method the

intergovernmental cooperation and supports only solutions that preserve state sovereignty.

The globalization requires a new economical and political world order, who's ordering principle is no longer the principle of adversity. In fact, the latest manifestation of this principle is the current state of American hegemony.

Because the unresolved global issues can't find solutions through any form of global order based on the principle of adversity, the globalization must come up with another principle of ordering the world. This principle must give a radically different version of the planet's resource allocation and power management, in order to create a new political and economical international order.

The globalization must approach the world to his specific humanity, to avoid reaching his post-human side, as Francis Fukuyama considers (2004). This means engaging humanity in a reconstruction project of the tampered human by his recent history, which takes away the fear caused by the imminent end of history.

2. Origins and Stages of Globalization

The globalization is a historical phenomenon, but of recent nature. It is rather characteristic of the second half of the twentieth century than previous century. Naturally its roots are deep enough, being found in prior facts of the capitalism appearance. The factor that he imprinted the tendency to affirm was the process of industrialization, though for a long time, has not given signs of its transformation into a mega tendency.

In what concerns the start moment of globalization, the researchers have not reached yet a common view.

Apart from a number of historical details; we can say that, untimely, has been outlined three different ways namely:

Some believe that of globalization one could even speak from ancient times, the effects of this process being felt more or less in time, until the moment when he experienced a special emphasis;

According to others, the globalization is a contemporary phenomenon , characteristic of modernization and development of capitalism, noting that in recent decades, has marked a special acceleration;

Finally, is also met the view that the globalization is a recent process, associated, however, with other economic and social events already known as the post-industrialization, or capitalism reorganization on other bases.

Of course, placing this phenomenon so deeply in history, as the things are presented in the first option seems to be an exaggeration.

Addressing the globalization thousands of years ago does not find any practical support or justification. This explains why in some recent works such as *Economical Globalization* written by Gh. Postelnicu and C. Postelnicu, is presented a different hierarchy of evolutionary phases of this process, in which specific elements are found to all three areas of coverage. They are as follows (Postelnicu & Postelnicu, 2000).

The germ phase (Europe, 1400-1750), when the first maps of the planets appears as a result of new geographical discoveries, humanity began to become aware that lives on a planet (Earth) that is not located in the center of the solar system, begin to outline the boundaries of future colonial power;

Early stage (Europe, 1750 to 1875) in which nation-states appear, begin to develop formal diplomacy between them, appears the first international legal conventions as well as the first ideas about internationalism and universalism;

Departure phase (take off), from 1875 to 1925, it takes place a process of conceptualizing the world in terms of existence of an international society and a single humanity, a process favored by the amplification of trade links between independent nations, extending communications, the emergence of mass migrations (especially from Europe to America);

Disputes for world hegemony phase (1925 - 1969), triggered by the World War I and reaffirmed by the World War II, has attracted attention through its specialized organizations on the dangers arising from ignoring some problems with global character (pollution, population explosion, depletion of natural resources, malnutrition, economic underdevelopment, etc.);

Finally, **the last decades of the twentieth century**, when it was made great progress in space exploration and telecommunication, has witnessed the emergence of various forms of regional integration, amid of the unprecedented of the international division of labor.

David Held, Anthony McGrew, David Goldblatt and Jonathan Perraton in the book "*Global Transformations. Politics, economy and culture*", presents four historical

forms of globalization, and four historical phases separated by space and time and organizational characteristics. Thus they analyze the following historical forms of globalization (Held, McGrew, Goldblatt & Perraton, 2004);

Pre-modern globalization, which starts with the formation of distinct and separate centers of sedentary agricultural civilization in Eurasia, Africa and the Americas, with about 9000 – 11000 years ago. It was a time when globalization was characterized, firstly, by the meetings between regions or between civilizations of Eurasia. Oceania and the Americas have remained autonomous civilizations, while the link between the western (Atlantic Europe), eastern (South East Asia and Japan) and southern (South Africa) of the African-Eurasian territory was made by networks or negligible flows, even if they were direct or settled.

Early modern globalization (1500 - 1850). The beginning of the XVI century represents the conventional date of the start of what was called West ascension: historical process that led to the emergence and development of key institutions of European modernity, the acquisition by European peoples of power technology and resources which, in the end have exceeded those of any other civilizations and the subsequent creation of the European global empires. The globalization has been determined in this period of demographic, environmental and epidemiological flows between Europe, the Americas and Oceania. They were aggravated by enduring political and military relations and the formation of European global empires. New forms of economic globalizations have started to grow, as they were developed by the large commercial companies.

Modern globalization (1850 - 1945). In the context of huge expansion of global military and political relations, this era witnessed very large, intense and significant socially models of economic globalization – global trade and investment have boomed. The decay of slave trade has allowed the enormous waves of workers with apprenticeship contracts to leave Asia in search of work in North and South America and in European colonies in Oceania, Asia, Africa and the Caribbean. Cultural interconnections have also increased as the new technologies of communication have appeared.

The era was marked also by the beginning of a new wave of international interconnections in the environment, as in Europe appeared cross-border pollution on a small-scale. This era of globalization was stopped quickly and steeply by the World War I. The defining characteristics of the era were the political and military

influence of European empires and the American one, which were fully expanded, creating truly a global network interconnection.

Contemporary globalization. After 1945 there was a new wave of global and interconnections flow. The impact of the Second World War and the events that followed it was important enough that it can be considered the post-war era as a distinct historical form of globalization. The contemporary period is a unique confluence of globalization models in politics, law and government, military matters, cultural links and human migrations.

The contemporary globalization was profoundly shaped by structural consequences of the World War II: the Axis power defeat, the depletion of former European imperial powers and the outbreak of the Cold War between U.S. and the Soviet Union. At the same time, it was formed a new global political order, which was based on the UN and its main institutions and agencies. The overall architecture of military and political relations has overseen the disintegrations of the European empires and a major wave of decolonization, independence and state formation in areas such as sub-Saharan Africa, Middle East and North Africa, South and East Asia and Pacific. With the end of the Cold War and the dissolution of the Soviet Union, one of the last Imperial structures of the world, has opened the way for a new mosaic of nation-states.

At the end of the twentieth century, the empires have given way to a global system of nation-states covered by multilateral, regional and global system of regulation and governance. Today, the unprecedented level of global and interconnection flows crosses a world formed almost entirely of nation-states. The international trading system includes almost every state on the map. No state is completely disconnected from the global telecommunication networks.

3. The Effects of Globalization

3.1. The Effects of Globalization for Romania

The globalization has both positive and negative meaning. The positive meaning of the globalization is progress, generated by an exchange of information and unrestricted worldwide economy, without barriers, and without political influence, and the negative one is leveling and trying to lead into a common rhythm cultures with varying degrees of developing.

The experience of the former communist countries of central and Eastern Europe amply demonstrates that the increasing liberalization of trade and services, including banking, measure promoted especially by multinational companies, has allowed a rapid recovery of the former planned economy and a substantial increase of living standards. So they found the route those countries which have allowed the rapid entry of foreign capital – Hungary, Poland and Czech Republic – and they stalled the market states whose multinational companies were late to come or “have been kept at respect by governments at the mercy of local small groups of interests, which had neither the capital nor the necessity management for managing the transition” (Chirovoci, 2001).

Romania seems rather surprised by the wave of globalization than ready to face them lucidly, and she is no longer “the land whit oil and wheat” from the early twentieth century, but a state located in a difficult transition dorm command economy to the free market, with a political class and a management one in training.

Romania needs foreign investment for development, being unable to obtain this capital from domestic sources only. As a country with multiple economic opportunities – from tourism and agriculture to the oil industry and metallurgy – Romania can become attractive for the foreign capital, if it ensures favorable internal conditions (legal, tax) (Daianu, 1997).

The rapid capital movement implied by the globalization may become advantageous for Romania in terms of a highly qualified workforce, but comparatively cheap. On the other hand, some Romanian economical forces – companies – can begin to play in the future an important regional and international role.

The economical openness does not imply only advantages but also considerable risks. An open economy is an economy that will absorb external shock quickly and dramatically.

For example, the current economical crises affected not only the U. S., where the crises began but the whole world. One undesirable effect was the increasing of external indebtedness to cover the deficits caused by the crises. Romania’s total external debt has reached at the end of 2009 to 78.6 00.000.000 Euros, representing about 67% of GDP. In December 2008, the share was 55% of GDP, and 38% in December 2004. However Romania’s debt is lower than that of Hungary, which

has a total external debt equivalent to 124% of GDP, a percentage that ranks 18th in the world according to calculation based on the World Bank data.

Secondly, the security risks, Romania remains vulnerable to organized crime, as evidenced, for example, that in just ten years it has gone from being a transit country for drugs to the consuming country, then the producing country (it is suspected that in Romania exists at least some laboratories that produce drugs). Organizations like Sicilian Mafia or Neapolitan Camorra have already made their presence felt strongly in Romania. At the same time, across the country are felt the presence cores of international terrorist organizations, especially the Arabs.

An internal security structure copes with increased difficulty to these modern challenges – money laundering, bank infiltrations, etc. even though Bucharest hosts a regional center to combat cross-border crime in Central and Eastern Europe (SECI), the corruption among the government is still high.

Taking into account the huge underground movement of money in Romania then it is realized that it has to do with a dispersion of income of the Latin-American type rather than the European one. The severe division between the very rich (very few) and the very poor (too many) creates social tensions not favorable for the development of established democracy. Such development is not necessarily the result of globalization, but globalization has the gift of speeding certain phenomena.

If we take a look at our country with amazement we found that although **Romania** is one of the freshly integrated countries into European structures, it has great problems regarding the living standards of the population in recent years. Of the nearly 21.5 million people living in Romania almost a quarter live on less than one dollar per day and more than 40% are within the poverty line.

3.2. The Scourge of Poverty and the Global Economic Crisis

A scourge of the world we are living in that threatens to increase in the coming years, it is **poverty** that marks the dangerous gap between the many and poor and the few and rich. Poverty is defined sometimes as “depriving of the population or certain categories of population of welfare” (Popescu, et. Alii, 2004), respectively it means the absence of welfare.

At the beginning of this century and millennium is deepening the crisis phenomena that accompany the global problems of mankind, increases the pressure on the material and spiritual living conditions of the people, it emphasizes the physical

insecurity, the acute shortage of housing, energy hunger, the lack of schools for public instruction, the lack of health services and social assistance. To all those are priority the job insecurity, the chronic unemployment, low incomes and poverty and social inequalities proliferation on large areas of the planet. The poverty which means lack of food, shelter, energy, labor, knowledge, culture, health, happiness can be labeled the same of the XXI century.

It must be analyzed in its complexity, starting from the reality of the world we are living in, and the pressure that will continue to grow given the demographic evolution, increased demand for food, with the arrival of another 222 billion souls in the first quarter of century of the third millennium.

Of the 6.5 billion people living on Earth 5.5 billion are in **developing countries**. According the statistics, around the globe about one billion of people suffer from hunger; 3 billion people live on less than 2 dollar per day, one on three people die from causes related to malnutrition and the lack of necessary food is the main cause of the mortality in the world. Annually around 11 million children younger than 5 years die, among which about 55% from malnutrition.

In the poorest countries (Africa, Asia, Latin America, Middle East) more than one billion of people lives on less than one dollar per day, 800 million people (15% of the population) suffers from hunger, one child from five did not attend primary school and 14 million children have lost one or both parents because of the HIV virus in a single year.

Paradoxically, despite these phenomena, 50 – 60% of the current global weapons is held by the poorest regions of the world and annually spends about 22 billion dollars by the poor countries in these regions for defense, while half of this amount would allow children to attend primary school. In one year, South Africa has spent 6 million dollars on weapons, amount that would have covered the treatment cost of 5 million Africans infected with HIV for two years¹.

The financial and economical crisis started in 2007 produced the most dramatic effects even worse in merging and developing countries, especially those where the residents have lower income.

In 2009 because of the crisis, from the previous year, 100 million people have reached in extreme poverty and although not the poor countries have caused the economic crisis, they are the main victim of it. According to a Parliamentary report

¹<http://hrananubombesi.blogspot.ro/2009/05/tu-pe-langa-cati-oameni-saraci-ai.html>

drafted by Spanish Socialist MEP Enrique Guerrero Salom now, while the crisis lost its power in developed countries, it is increasing in developing ones. The recent crises was not only financial but also economic, social and humanitarian and affected the developing countries even if they are not yet strong integrated in the global financial system¹.

Developing countries are now suffering serious consequences of the economic crisis such as:

The economic growth dropped to a quarter in two years;

The raw material prices have fallen by more than 20% in 2009;

The capital investments in these countries has fallen from 1 trillion dollar in 2007 to 600 billion in 2009;

The public debt increased by 2% in a year and only 1.6% of loans of the IMF arrived in Africa;

The number of infant deaths in sub-Saharan Africa is around 30000 children;

The education expenditure, health, infrastructure and safety nets and social protection, already poor, will drop dramatically.

Also these is a halt of the progress in these countries, progress previously shown through sustainable development, the restructuring of public accounts, by reducing the external debt, the expansion of commercial activities, the booming of market commodity and obtaining development capital inflows. In this context, despite the difficulties and insufficient fund, were made small progress towards the Millennium Development Goals (MDGs).

In the years before the financial crisis, the poor countries have already been hit by the **food crisis**, accompanied by a rise in commodity which affected the ability of subsistence of hundreds of millions. The financial crisis was precede also by a **energy crisis**, resulting in largely depletion of the countries resources that are not producing gas or oil to be able to maintain his activities, as well as the **crisis generated by the climate change**, whose consequences manifests itself most acutely in developing countries, where crops are damaged and infrastructure is destroyed.

For Europe, these figures are particularly important because the EU provides 60% of global development aid. MEPs ask for a quick and strong reaction in this regard. They require from the member states to increase their development aid by 2010 to

¹http://discutii.mfinante.ro/static/10/Mfp/afaceri_europene/buletin_26martie2010.pdf

achieve the common goal of allocating a proportion of 0.56% of aid in GNI and 0.7% by 2015¹.

MEPs also highlight the need to reform the global economic governance to ensure a greater representation of the developing countries in the decision-making forums. For the development finance, MEPs demand a tax for financial transactions and the allocation of at least 25% of revenues from auctioning carbon dioxide emissions to combat climate change.

The EU is the world's largest donor to poor countries; the level of 2008 donated amounts reaching 49 billion dollars. The largest donors in Europe are Norway, Luxembourg, Denmark (0.8 to 0.9%), Sweden and the Netherlands (0.7 to 0.8%). Among the donors are countries with economies in transition in Eastern Europe, which went from receiving countries to donor countries (e.g. Czech Republic: 0.1% of GDP) **Arab states** – 2.6 billion dollars in 2004 (EU Official Journal, September 2010).²

Although the financial assistance needs have steadily increased, the earmarked funds have lagged behind these needs. The official development assistance rose to 1.2 billion dollars/ year during 2002 – 2004 and in 2008 reached 119.8 billion dollars. The developed countries will have to pay 0.5 of GDP by 2010 and 0.7% of GDP by 2015. Due to the increasing interdependence between states the crisis hit the most the poor countries (which are probably the least guilty for the crisis), but dependent on external financial assistance from developed or developing countries.

During the current financial crises, many governments have sought external financing to cover their deficits, thus the external debt has exploded, but it is obvious that some countries are better than the others when talking about public and private external debt in GDP.

By far the largest debt has Ireland, , a country with a GDP of 177.3 billion dollars but total external debt of 2.39 trillion dollars, making the debt ratio 1352% the highest among the 75 countries surveyed.³

To be noticed that the countries with the highest standard of living also has higher debt and Japan is not at the top although only his public debt is approaching 200%

¹<http://www.europarl.europa.eu/sides/getDoc.do?language=ro&type=IM-PRESS&reference=20100319STO70951>

²<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2010:255:FULL:RO:PDF>

³<http://businessday.ro/02/2010/care-sunt-tarile-cu-cele-mai-mari-datorii-externe/>

of GDP. Why? For the external debt of Japan is very small, the internal one being very large.

If Ireland is ranked first, Iceland and UK ranks second and third with a share of GDP of total debt of 998.5% and 427.7%. On the other hand, Brazil, India and China are much less indebted countries.

If we consider all the countries, not just the largest economies, the first place would be Luxembourg, whose country has a foreign debt in GDP of 4.973%, Luxembourg's per capita debt is 3.9 million dollars. This is explained by the fact that Luxembourg is a tax haven, many companies having their business through this country to pay lower taxes.

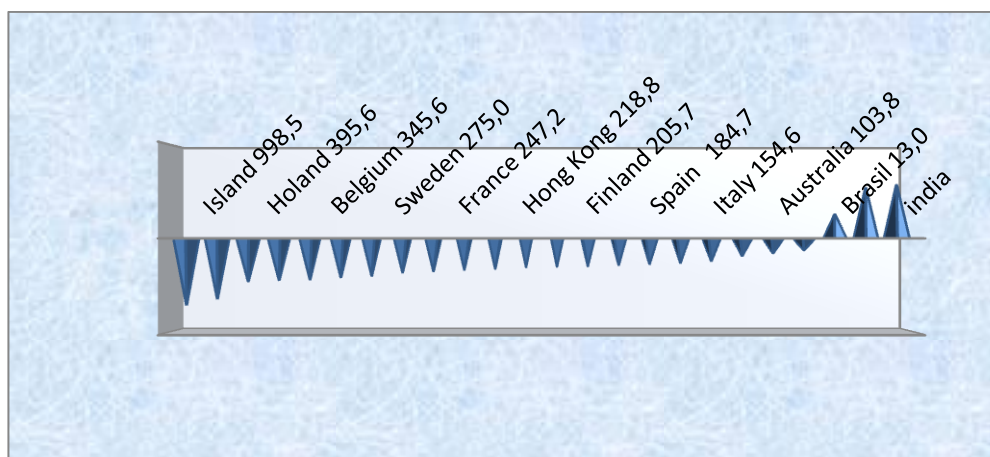


Figure 1. The share of external debt of GDP in 2009

Source: Adapted from data - www.Khris.ro

3.3. The Major Consequences of Global Economy

The first major consequence of a globalized economy would be the fundamental difficulty of governing it. The main difficulty is to build integrated models of national and international public policy to deal with global market forces. The second major consequence of the global economy would be to turn the multinational companies in transnational companies, they holding the role of key actors in the global economy. The transnational companies will have a relocated genuine capital, without specific national identification, with an internationalized management, at least potentially willing to settle everywhere in the world to get the safest and highest profits. The third consequence of globalization would be further

decline of political influence and economic bargaining power of the organized labor (syndicated). The global markets and transnational companies tend to be reflected in an open global market of labor.

The companies that require highly skilled and productive labor will continue to settle in the advanced countries, with all their advantages, instead of looking regions where the wages are low, the trend of increasing global mobility of capital and the relative stability of the national labor will encourage those advanced countries that have more malleable labor and the lowest social costs related to the benefits of competence and work motivation.

A final and inevitable consequence of globalization is the increasing of the fundamental multi-polarity in the international political system. It is considered that, ultimately, the national hegemonic power will not be able to impose its regulatory objectives separate in its own territory or elsewhere, and the tiniest agencies (public or private) will enjoy this increased power of denial and avoidance of any hegemonic aspirant.

A number of organizations, from international non-profit agencies to transnational companies will gain more power at the expense of national governments. In such a world, the national military power would be less efficient. It will not be used to achieve economic objectives because the national economy state control will largely disappear. The use of military force will focus increasingly on non-economical issues such as nationally and religion.

The concept of global economy outlined above plays an ideal model that can be compared with international economic trends. In the analysis it was presented this globalized economy in contrasts with the notion of international economy to be able to distinguish its unique special features. The two models of economy are inherently mutually exclusive; rather in certain condition the global economy would encompass and include somehow the international economy.

4. Conclusions

Globalization is, as Thomas Friedman wrote, the expression of a system that integrates in the highest level and that always remains open to integration.

The globalization is not only internationalization, mondialization or imperialism, where to dominate the exclusive interests of a particular state. Also, the

globalization must not be seen purely as a transnational trend imposed by the large firms and transnational companies who profitably exploit their technological advantages.

Regardless of the definition given to globalization it has both a positive and negative meaning. The positive meaning of the globalization is that of the progress, generated by an exchange of information and unrestricted worldwide economy, without barriers and without political influence, a free play of the present market forces. The downside of globalization is the leveling and trying to lead into a common rhythm cultures with varying degrees of development.

At the beginning of the XXI century, however, is no longer a question whether the globalization is good or bad. It is a force which to one has brought many benefits. However, because sometimes has been wrongly managed, millions of people have not enjoyed the benefits of it and the situation of other millions people have even worsened. The today's problem is about the globalization reform, what to do for it to serve not only the wealthy and industrialized developed countries, but also the poor and less developed countries.

5. Bibliography

Beck, U. (2003). *Ce este globalizarea? Erori ale globalismului – raspunsuri la globalizare / What is the globalization? Errors of globalism – answers to globalization*. Bucharest: Trei.

Chirovici, E.O. (2001). *Natiunea virtual. Eseu despre globalizare/The virtual nation. An essay on globalization* Iasi: Polirom.

Daianu, D. (1997). *Vitalitate si viabilitate – o dubla provocare pentru securitatea europeana / Vitality and economic viability – a double challenge to European security*. Bucharest: Clavis.

Fukuyama, F. (2004). *Viitorul nostru postuman. Consecintele revolutiei biotehnologice/Our post-human future. The consequences of the biotechnology revolution*. Bucharest: Humanitas.

Held, D., McGrew, A., Goldblatt, D., Perraton, J. (2004). *Transformari globale. Politica, economie si cultura/The global transformations. Politics, economics and culture*. Bucharest: Polirom.

Postelnicu, Gh. & Postelnicu, C. (2000). *Globalizarea economica / The economical globalization*. Bucharest: Economica.

Tobosaru, I. (2008). *Multilateralism si regionalism in contextual globalizarii/Multilateralism and regionalism in globalization*. Bucharest: ASE.

On-line sources:

* http://discutii.mfinante.ro/static/10/Mfp/afaceri_europene/buletin_26martie2010.pdf

* <http://hrananubombeiasi.blogspot.ro/2009/05/tu-pe-langa-cati-oameni-saraci-ai.html>

* <http://www.europarl.europa.eu/sides/getDoc.do?language=ro&type=IM-PRESS&reference=20100319STO70951>

* <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2010:255:FULL:RO:PDF>

* <http://businessday.ro/02/2010/care-sunt-tarile-cu-cele-mai-mari-datorii-externe/>